

NORTH IOWA AREA COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2021

- Prepared By -

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**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**

**OFFICIALS**

<u><b>Name</b></u>	<u><b>Title</b></u>	<u><b>County</b></u>	<u><b>Term Expires</b></u>
Casey Callanan	Member	Cerro Gordo	Indefinite
Mike Jensen	Member	Cerro Gordo	Indefinite
David Vikturek	Treasurer	Cerro Gordo	Indefinite
James Erb	Chair	Floyd	Indefinite
Carol Hoffarth	Member	Floyd	Indefinite
Doug Kamm	Secretary	Floyd	Indefinite
Roy Ahrends	Member	Franklin	Indefinite
Mike Nolte	Member	Franklin	Indefinite
Mark Johansen	Member	Franklin	Indefinite
Sis Greiman	Vice-Chair	Hancock	Indefinite
Tim Schmidt	Member	Hancock	Indefinite
Gary Gelner	Member	Hancock	Indefinite
Harley Kohlhaas	Member	Kossuth	Indefinite
Vacant	Member	Kossuth	Indefinite
Galen Casey	Member	Kossuth	Indefinite
Tracy Church	Member	Mitchell	Indefinite
Rick Bodensteiner	Member	Mitchell	Indefinite
Steve Smolik	Member	Mitchell	Indefinite
Cassie Johnson	Member	Winnebago	Indefinite
Susan Smith	Member	Winnebago	Indefinite
Candy Hanna	Member	Winnebago	Indefinite
AJ Stone	Member	Worth	Indefinite
Rick Scholbrock	Member	Worth	Indefinite
Paul Norland	Member	Worth	Indefinite
Myrtle Nelson	Executive Director		Indefinite



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
North Iowa Area Council of Governments  
Mason City, IA 50401

### Report on the Financial Statements

I have audited the accompanying financial statements of the North Iowa Area Council of Governments (NIACOG), as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise NIACOG's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NIACOG as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of the Agency Contributions on pages 4 through 6 and 21 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NIACOG's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of NIACOG's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 22, 2021 on my consideration of NIACOG's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering NIACOG's internal control over financial reporting and compliance.



Charles City, Iowa  
December 22, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

North Iowa Area Council of Governments (NIACOG) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. I encourage readers to consider this information in conjunction with NIACOG's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- NIACOG's operating revenues decreased 12%, or \$776,349, from fiscal 2020 to fiscal 2021, due to a decrease in capital grant activity and local revenues compared to the prior year.
- NIACOG's operating expenses were 8%, or \$370,862 higher in fiscal 2021 than in fiscal 2020, due mainly to increased costs associated with transit expenses for salaries and depreciation.
- NIACOG's net position increased 8%, or \$708,271, from June 30, 2020 to June 30, 2021, due to federal funds advanced for the Revolving Loan Fund program.

### **USING THIS ANNUAL REPORT**

The North Iowa Area Council of Governments is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to NIACOG's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of NIACOG's financial activities.

The Statement of Net Position presents information on NIACOG's assets and deferred outflows of resources less the Agency's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of NIACOG is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on NIACOG's operating revenues and expenses, non-operating revenues and expenses and whether NIACOG's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in NIACOG's cash and cash equivalents during the year. This information can assist readers of the report in determining how NIACOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

## FINANCIAL ANALYSIS OF THE AGENCY

### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of NIACOG's financial position. NIACOG's net position at the end of fiscal year 2021 totaled approximately \$9,383,068. This compares to approximately \$8,674,797 at the end of fiscal 2020. A summary of NIACOG's net position is presented below.

Net Position		June 30,	
		2021	2020
Current assets		\$ 4,511,285	\$ 4,318,373
Non-current assets		892,497	164,671
Capital assets at cost, less accumulated depreciation		5,124,741	5,275,481
Total assets		<u>\$10,528,523</u>	<u>\$ 9,758,525</u>
Deferred outflows of resources		\$ 390,644	\$ 347,862
Current liabilities		\$ 286,421	\$ 276,079
Noncurrent liabilities		1,200,895	971,271
Total liabilities		<u>\$ 1,487,316</u>	<u>\$ 1,247,350</u>
Deferred inflows of resources		\$ 48,783	\$ 184,240
Net position:			
Reserved		\$ 2,064,292	\$ 2,159,079
Unreserved		<u>7,318,776</u>	<u>6,515,718</u>
Total net position		<u>\$ 9,383,068</u>	<u>\$ 8,674,797</u>

### Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. Operating expenses are expenses paid to operate the transit systems and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2021 and 2020 is presented below:

Changes in Net Position		Year ended June 30,	
		2021	2020
Operating Revenues:			
Grants		\$ 3,838,185	\$ 4,123,101
Program reimbursements and other local sources		2,014,317	2,505,750
Total operating revenues		<u>\$ 5,852,502</u>	<u>\$ 6,628,851</u>
Operating Expenses		<u>5,232,009</u>	<u>4,861,147</u>
Operating income (loss)		\$ 620,493	\$ 1,767,704
Non-operating revenues, net		<u>87,778</u>	<u>158,223</u>
Change in net position		\$ 708,271	\$ 1,925,927
Net position beginning of year		<u>8,674,797</u>	<u>6,748,870</u>
Net position end of year		<u>\$ 9,383,068</u>	<u>\$ 8,674,797</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in the net position at the end of the fiscal year.

- Net position for the year increased \$708,271, mainly due to federal funds received.
- NCRERC expenses for the year were \$121,019 and revenues were \$126,583. Future revenues and expenses will vary depending on incident response activity.
- State and Federal Transit Operating Assistance for the year totaled \$2,569,397. These same funding sources for the previous fiscal year totaled \$1,664,689. The funding increased 54%. This increase is due to CARES Act funds received.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

#### **CAPITAL ASSETS**

At June 30, 2021, NIACOG had approximately \$5,124,741 invested in capital assets, net of accumulated depreciation of approximately \$4,934,368. Depreciation expense totaled \$922,500 for fiscal year 2021. More detailed information about NIACOG's capital assets is presented in Note 4 to the financial statements.

#### **ECONOMIC FACTORS**

In the upcoming year, NIACOG will continue to maximize efficiencies related to providing transit services for Region 2. Under the terms of their 28E agreement, NIACOG and the City of Mason City will continue to share in ongoing costs to operate and maintain the facility.

For fiscal year 2021, NIACOG has continued its involvement in the administration of various grants for urban revitalization, housing rehabilitation and economic development throughout the region.

#### **CONTACTING NIACOG'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of NIACOG's finances and to show NIACOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact North Iowa Area Council of Governments, 525 6<sup>th</sup> Street SW, Mason City, IA 50401.



## Basic Financial Statements

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 3,072,302	\$ 148,076	\$ 3,220,378
Accounts receivable	1,231,741	-	1,231,741
Prepaid expenses	11,261	-	11,261
Notes receivable	44,474	-	44,474
Other receivables	3,431	-	3,431
Total current assets	<u>\$ 4,363,209</u>	<u>\$ 148,076</u>	<u>\$ 4,511,285</u>
Noncurrent assets:			
Notes receivable	<u>\$ 892,497</u>	<u>\$ -</u>	<u>\$ 892,497</u>
Capital assets:			
Land	\$ 157,711	\$ -	\$ 157,711
Building	3,446,712	-	3,446,712
Equipment	500,262	149,782	650,044
Vehicles - unrestricted	965,202	62,516	1,027,718
Vehicles - restricted	4,776,924	-	4,776,924
Total	<u>\$ 9,846,811</u>	<u>\$ 212,298</u>	<u>\$10,059,109</u>
Less accumulated depreciation	(4,754,049)	(180,319)	(4,934,368)
Net capital assets	<u>\$ 5,092,762</u>	<u>\$ 31,979</u>	<u>\$ 5,124,741</u>
<b>Total assets</b>	<b><u>\$10,348,468</u></b>	<b><u>\$ 180,055</u></b>	<b><u>\$10,528,523</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>\$ 390,644</u>	<u>\$ -</u>	<u>\$ 390,644</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Trade accounts payable	\$ 197,412	\$ 312	\$ 197,724
Accrued benefits payable	88,697	-	88,697
Total current liabilities	<u>\$ 286,109</u>	<u>\$ 312</u>	<u>\$ 286,421</u>
Noncurrent liabilities:			
Net pension liability	<u>\$ 1,200,895</u>	<u>\$ -</u>	<u>\$ 1,200,895</u>
<b>Total liabilities</b>	<b><u>\$ 1,487,004</u></b>	<b><u>\$ 312</u></b>	<b><u>\$ 1,487,316</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension related deferred inflows	<u>\$ 48,783</u>	<u>\$ -</u>	<u>\$ 48,783</u>
<b>NET POSITION:</b>			
Reserved (Note 2)	\$ 2,064,292	\$ -	\$ 2,064,292
Unreserved	<u>7,139,033</u>	<u>179,743</u>	<u>7,318,776</u>
<b>Total net position</b>	<b><u>\$ 9,203,325</u></b>	<b><u>\$ 179,743</u></b>	<b><u>\$ 9,383,068</u></b>

See Notes to Financial Statements.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2021

	NIACOG	NCRERC	Total
<b>OPERATING REVENUES:</b>			
Federal funds	\$ 3,331,420	\$ 13,164	\$ 3,344,584
State funds	493,601	-	493,601
Local funds	1,900,898	113,419	2,014,317
Total operating revenues	<u>\$ 5,725,919</u>	<u>\$ 126,583</u>	<u>\$ 5,852,502</u>
<b>OPERATING EXPENSES:</b>			
Salaries	\$ 1,591,610	\$ -	\$ 1,591,610
Employee benefits	494,984	-	494,984
Contracted services	113,895	12,000	125,895
Advertising	8,505	-	8,505
Telephone	6,097	-	6,097
Printing	5,806	-	5,806
Supplies	44,929	-	44,929
Travel	7,694	-	7,694
Postage	3,112	-	3,112
Conferences	141	-	141
Dues and memberships	11,675	100	11,775
Professional fees	12,250	-	12,250
Miscellaneous	11,346	110	11,456
Insurance	90,302	9,851	100,153
Repairs and maintenance	121,961	1,969	123,930
Utilities	35,997	-	35,997
Equipment	-	27,608	27,608
Depreciation	917,556	4,944	922,500
Transit provider payments	1,458,089	-	1,458,089
Services	-	49,135	49,135
Training	-	3,649	3,649
Physicals	-	11,653	11,653
Fuels and lubricants	102,859	-	102,859
Materials and supplies	72,182	-	72,182
Total operating expenses	<u>\$ 5,110,990</u>	<u>\$ 121,019</u>	<u>\$ 5,232,009</u>
Operating Income (Loss)	<u>\$ 614,929</u>	<u>\$ 5,564</u>	<u>\$ 620,493</u>
Non-operating revenues (expenses):			
Interest income	\$ 5,664	\$ 1,208	\$ 6,872
Gain on sale of equipment	80,906	-	80,906
Net non-operating revenues (expenses)	<u>\$ 86,570</u>	<u>\$ 1,208</u>	<u>\$ 87,778</u>
Change in net position	\$ 701,499	\$ 6,772	\$ 708,271
Net position beginning of year	<u>8,501,826</u>	<u>172,971</u>	<u>8,674,797</u>
<b>Net position end of year</b>	<u><b>\$ 9,203,325</b></u>	<u><b>\$ 179,743</b></u>	<u><b>\$ 9,383,068</b></u>

*See Notes to Financial Statements.*

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021**

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from federal operating grants	\$ 2,454,086	\$ 13,164	\$ 2,467,250
Cash received from state operating grants	493,601	-	493,601
Cash received from program reimbursements	1,931,172	113,419	2,044,591
Cash paid for salaries and benefits	(2,031,710)	-	(2,031,710)
Cash paid for other suppliers of goods and services	(2,091,565)	(115,763)	(2,207,328)
Net cash provided (used) by operating activities	<u>\$ 755,584</u>	<u>\$ 10,820</u>	<u>\$ 766,404</u>
Cash flows from capital and related financing activities:			
Net acquisition of capital assets	\$ (751,998)	\$ (19,762)	\$ (771,760)
Cash received from asset sales	80,906	-	80,906
Cash received from federal capital grants	531,526	-	531,526
Net cash (used) by capital and related financing activities	<u>\$ (139,566)</u>	<u>\$ (19,762)</u>	<u>\$ (159,328)</u>
Cash flows from investing activities:			
Interest received	\$ 5,664	\$ 1,208	\$ 6,872
Cash advanced for notes receivable	(762,970)	-	(762,970)
Cash received from notes receivable	46,878	-	46,878
Net cash provided (used) by investing activities	<u>\$ (710,428)</u>	<u>\$ 1,208</u>	<u>\$ (709,220)</u>
Net increase (decrease) in cash and cash equivalents	\$ (94,410)	\$ (7,734)	\$ (102,144)
Cash and cash equivalents beginning of year	<u>3,166,712</u>	<u>155,810</u>	<u>3,322,522</u>
<b>Cash and cash equivalents end of year</b>	<b><u>\$ 3,072,302</u></b>	<b><u>\$ 148,076</u></b>	<b><u>\$ 3,220,378</u></b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 614,929	\$ 5,564	\$ 620,493
Adjustments for long-term non-cash items:			
Depreciation	917,556	4,944	922,500
Revenues and expenses not classified as operating	(531,526)	-	(531,526)
Changes in assets and liabilities:			
Decrease in prepaid insurance	2,166	-	2,166
(Increase) decrease in accounts receivable	(308,956)	-	(308,956)
Increase in accounts payable	13,172	312	13,484
Increase in accrued benefits payable	3,499	-	3,499
(Decrease) in unearned revenue	(6,578)	-	(6,578)
(Decrease) in payroll liabilities	(63)	-	(63)
(Increase) in deferred outflow of resources	(42,782)	-	(42,782)
(Decrease) in deferred inflow of resources	(135,457)	-	(135,457)
Increase in net pension liability	229,624	-	229,624
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 755,584</u></b>	<b><u>\$ 10,820</u></b>	<b><u>\$ 766,404</u></b>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See Notes to Financial Statements.*

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**(1) Organization**

The North Iowa Area Council of Governments (NIACOG) is an Inter- Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 2 which includes Cerro Gordo, Floyd, Hancock, Worth, Kossuth, Mitchell, Franklin, and Winnebago counties. NIACOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). NIACOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. NIACOG also provides transportation services to the elderly, disabled and rural areas through the Region Two Transit System. In performing its duties, NIACOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, NIACOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with NIACOG are such that exclusion would cause NIACOG's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of NIACOG to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on NIACOG. NIACOG has one component unit which meets the Governmental Accounting Standards Board criteria. The North Central Regional Emergency Response Commission (NCRERC) is a committee established under a 28E agreement with NIACOG. Its purpose is to implement joint and cooperative action in training and response activities of hazardous materials for Region 2.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accounts of NIACOG are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

The Statement of Net Position presents NIACOG's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reposted as net position. Net position is reported in the following categories:

Reserved net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unreserved net position consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

(2) Summary of Significant Accounting Policies - continued

(b) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NIACOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the NIACOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents - The cash balances are deposited in bank accounts. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Notes Receivable - This account is utilized to record revolving loan funds loaned to eligible homeowners and businesses.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by NIACOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$5,000
Building	5,000
Improvements other than buildings	5,000
Equipment	5,000
Vehicles	5,000

Capital assets of NIACOG are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Building	40
Improvements other than buildings	15
Equipment	5-10
Vehicles	5

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

(2) Summary of Significant Accounting Policies - continued

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date but before the end of the Agency's reporting period.

Accrued Benefits Payable - Accrued benefits payable are earned vacation leave and compensatory time and have been accrued as liabilities on the statement of net position. These current liabilities have been computed based on rates of pay in effect at June 30, 2021.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Reserved Net Position - Reserved net position represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) Cash and Investments

NIACOG's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**(3) Cash and Investments - continued**

NIACOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NIACOG and NCRERC had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - NIACOG'S investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of NIACOG.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>NIACOG</u>				
Land	\$ 157,711	\$ -	\$ -	\$ 157,711
Building	3,438,304	8,408	-	3,446,712
Equipment	428,253	72,008	-	500,261
Vehicles	<u>5,865,127</u>	<u>671,582</u>	<u>794,582</u>	<u>5,742,127</u>
Total capital assets being depreciated	<u>\$ 9,889,395</u>	<u>\$ 751,998</u>	<u>\$ 794,582</u>	<u>\$ 9,846,811</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>NCRERC</u>				
Equipment	\$ 130,020	\$ 19,762	\$ -	\$ 149,782
Vehicles	<u>62,516</u>	<u>-</u>	<u>-</u>	<u>62,516</u>
Total capital assets being depreciated	<u>\$ 192,536</u>	<u>\$ 19,762</u>	<u>\$ -</u>	<u>\$ 212,298</u>



**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**(4) Capital Assets** - continued  
Less accumulated depreciation for:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
NIACOG				
Building	\$1,009,789	\$ 86,278	\$ -	\$1,096,067
Equipment	370,018	22,322	-	392,340
Vehicles	3,251,268	808,956	794,582	3,265,642
Total accumulated depreciation, net	<u>\$4,631,075</u>	<u>\$ 917,556</u>	<u>\$ 794,582</u>	<u>\$4,754,049</u>
Total capital assets, net	<u>\$5,258,320</u>	<u>\$ (165,558)</u>	<u>\$ -</u>	<u>\$5,092,762</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
NCRERC				
Equipment	\$ 112,859	\$ 4,944	\$ -	\$ 117,803
Vehicles	62,516	-	-	62,516
Total accumulated depreciation, net	<u>\$ 175,375</u>	<u>\$ 4,944</u>	<u>\$ -</u>	<u>\$ 180,319</u>
Total capital assets, net	<u>\$ 17,161</u>	<u>\$ 14,818</u>	<u>\$ -</u>	<u>\$ 31,979</u>

**(5) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

(5) Pension Plan - continued

- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Agency contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Agency's contributions to IPERS for the year ended June 30, 2021 totaled \$147,425.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**(5) Pension Plan - continued**

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the Agency reported a liability of \$1,200,895 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Agency's proportion was 0.0170952%, which was an increase of 0.000322% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Agency recognized pension expense of \$198,787. At June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,327	\$ 28,464
Changes of assumptions	61,642	-
Net difference between projected and actual earnings on IPERS investments	67,510	20,319
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	112,740	-
Agency contributions subsequent to the measurement date	<u>147,425</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 390,644</u></b>	<b><u>\$ 48,783</u></b>

Deferred outflows of resources related to pensions of \$147,425 represent the amount the Agency contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2022	\$ 34,769
2023	53,855
2024	49,563
2025	53,623
2026	<u>2,626</u>
Total	<b><u>\$ 194,436</u></b>

There were no non-employer contributing entities to IPERS.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

(5) **Pension Plan** - continued

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Asset Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	<u>3.0</u>	3.11
<b>Total</b>	<b><u>100.0%</u></b>	

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**(5) Pension Plan** - continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Agency's proportionate share of the net pension liability	\$2,002,391	\$1,200,895	\$ 528,853

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(6) Risk Management**

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**(6) Risk Management - continued**

all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Agency's contributions to the Pool for the year ended June 30, 2021 were \$142,711.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Agency's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2021, no liability has been recorded in the Agency's financial statements. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employers liability coverage. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Other Post Employee Benefits (OPEB)**

Plan Description - The Agency administers a single-employer benefit plan which provides medical, prescription and dental benefits for employees, retirees and their spouse. Group insurance benefits are established under Iowa Code Chapter

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**(7) Other Post Employee Benefits (OPEB) - continued**

509A.13. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the Agency and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same age adjusted premium for the medical, prescription drug and dental benefits as active employees, which result in an implicit rate subsidy and OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2021, there were no retirees covered by the plan.

Net OPEB Liability - Management of the Agency considers any OPEB obligation, which may exist, to be immaterial.

**(8) Litigation**

The Agency is a defendant in a lawsuit for which the probability and amount of loss, if any, is indeterminable.

**(9) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economics, including that of NIACOG, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of NIACOG. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Agency.

**(10) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

**Required Supplementary Information**



NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST SEVEN YEARS\* (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2021</u>	<u>2020</u>
Agency's proportion of the net pension liability	0.0170952%	0.0166611%
Agency's proportionate share of the net pension liability	\$ 1,021	\$ 971
Agency's covered payroll	\$ 1,561	\$ 1,356
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	76.94%	71.61%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

*See Accompanying Independent Auditor's Report.*

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0149653%	0.0138505%	0.0153069%	0.015854%	0.016164%
\$ 947	\$ 923	\$ 963	\$ 788	\$ 654
\$ 1,276	\$ 1,127	\$ 1,034	\$ 1,093	\$ 1,093
74.22%	81.90%	93.13%	71.77%	59.83%
83.62%	82.21%	81.82%	85.19%	87.61%

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF AGENCY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST SEVEN YEARS (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 147	\$ 128
Contributions in relation to the statutorily required contribution	<u>(147)</u>	<u>(128)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Agency's covered payroll	\$ 1,561	\$ 1,356
Contributions as a percentage of covered payroll	9.44%	9.44%

*See Accompanying Independent Auditor's Report.*

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 121	\$ 100	\$ 92	\$ 98	\$ 96
<u>(121)</u>	<u>(100)</u>	<u>(92)</u>	<u>\$ (98)</u>	<u>\$ (96)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,276	\$ 1,127	\$ 1,034	\$ 1,098	\$ 1,093
9.44%	8.93%	8.93%	8.93%	8.93%

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2021**

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

## Supplementary Information

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS  
YEAR ENDED JUNE 30, 2021

	STA Operating Assistance	COG ASSISTANCE 17-COG-01	OP Deficit 2020-001- 01-21	CARES ACT OP Deficit 2020-010- 00-20
Operating Expenses:				
Contractual Services	\$ 453,486	\$ 16,176	\$ 974,214	\$1,296,425
Capital Outlay	-	-	-	-
Prior Year	-	-	-	895,746
Project Cost	\$ 453,486	\$ 16,176	\$ 974,214	\$2,192,171
Grant Participation in Project Cost	100%	100%	80%	100%
 <b>Percentage Participation</b>	 <b><u>\$ 453,486</u></b>	 <b><u>\$ 16,176</u></b>	 <b><u>\$ 779,371</u></b>	 <b><u>\$2,192,171</u></b>
 <b>Contract Amount</b>	 <b><u>\$ 453,486</u></b>	 <b><u>\$ 16,176</u></b>	 <b><u>\$ 779,371</u></b>	 <b><u>\$2,304,650</u></b>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 493,601	\$ 16,176	\$ 779,371	\$2,192,171
Less: Grant Payments received in current year	(493,601)	(16,176)	(445,405)	(1,300,116)
Less: Grant Payments received in prior year	-	-	-	(267,688)
<b>Grant Receivable/(Payable)     at June 30, 2021</b>	 <b><u>\$ -</u></b>	 <b><u>\$ -</u></b>	 <b><u>\$ 333,966</u></b>	 <b><u>\$ 624,367</u></b>

(continued)

CARES ACT Capital 2020-010 01-20	Bus & Bus Facilities Project	Bus & Bus Facilities Project	21-RPA-02	20-RPA-02	EDA 05-83- 05369-01
\$ -	\$ -	\$ -	\$ 85,145	\$ -	\$ -
37,500	99,644	478,698	-	-	-
-	-	-	-	78,085	552,000
\$ 37,500	\$ 99,644	\$ 478,698	\$ 85,145	\$ 78,085	\$ 552,000
100%	85%	85%	80%	80%	50%
<u>\$ 37,500</u>	<u>\$ 84,696</u>	<u>\$ 406,892</u>	<u>\$ 68,116</u>	<u>\$ 62,462</u>	<u>\$ 276,000</u>
<u>\$ 37,500</u>	<u>\$ 88,825</u>	<u>\$ 439,535</u>	<u>\$ 125,578</u>	<u>\$ 123,216</u>	<u>\$ 276,000</u>
\$ 37,500	\$ 84,696	\$ 406,892	\$ 68,116	\$ 62,462	\$ 276,000
(37,500)	(84,696)	(406,892)	(50,591)	(19,492)	(17,500)
-	-	-	-	(42,970)	(258,500)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,525</u>	<u>\$ -</u>	<u>\$ -</u>



EDA Planning	EDA CARES Planning	CARES RLF 05-79- 06005	HAZMAT HMEP	Total
\$ 133,068	\$ 69,376	\$ 518,420	\$ 13,164	\$ 3,559,474
-	-	-	-	615,842
-	-	-	-	1,525,831
\$ 133,068	\$ 69,376	\$ 518,420	\$ 13,164	\$ 5,701,147
50%	100%	100%	100%	
<u>\$ 66,534</u>	<u>\$ 69,376</u>	<u>\$ 518,420</u>	<u>\$ 13,164</u>	<u>\$ 5,044,364</u>
<u>\$ 192,500</u>	<u>\$ 400,000</u>	<u>\$ 550,000</u>	<u>\$ 21,483</u>	<u>\$ 5,808,320</u>
\$ 66,534	\$ 69,376	\$ 518,420	\$ 13,164	\$ 5,084,479
(52,500)	(52,500)	(518,420)	(13,164)	(3,508,553)
-	-	-	-	(569,158)
<u>\$ 14,034</u>	<u>\$ 16,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,768</u>

*See Accompanying Independent Auditor's Report.*

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
<b>Direct:</b>			
Department of Commerce:			
Economic Development Administration:			
Support for Planning Organizations	11.302	ED20DEN3020021	\$ 66,534
Economic Adjustment Assistance	11.307	05-79-04733	486,855
CARES Economic Adjustment Assistance	11.307	05-79-06005	554,868
CARES Support for Planning	11.307	ED20DEN3070073	69,376
Total Direct Awards			<u>\$ 1,177,633</u>
<b>Indirect:</b>			
Department of Transportation:			
Iowa Department of Transportation:			
Federal Aid Highway Program	20.205	21-RPA-02	\$ 50,869
Formula Grants for Rural Areas:			
FTA 5311 New Transportation Planning	20.509	21-RPA-02	\$ 17,247
CARES Act Emergency Relief	20.509	2020-010-00-20	\$ 1,296,425
CARES Act Emergency Capital	20.509	2021-010-01-20	37,500
			<u>\$ 1,333,925</u>
Enhanced Mobility of Seniors and Individual with Disabilities	20.513	2021-001-01-21	\$ 779,371
Bus and Bus Facilities Project	20.526	2019-007-02-20	\$ 84,697
	20.526	2019-008-01-19	406,892
			<u>\$ 491,589</u>
Homeland Security and Emergency Management:			
Interagency Hazardous Material Public Sector Training and Planning Grants	20.703	HMEP	\$ 13,164
Total Indirect Awards			<u>\$ 2,686,165</u>
<b>Total</b>			<u><b>\$ 3,863,798</b></u>

(continued)

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

**Computation of CFDA Number 11.307-Economic Adjustment Assistance**

	Grant Number 05-79-04733	Grant Number 05-79-06005
Balance of RLF loans outstanding 6/30/21	\$ 389,269	\$ 500,000
RLF cash 6/30/21	170,334	28,421
Administrative expense paid out in 2021	-	26,447
Principal balance written off in 2021	-	-
Total	\$ 559,603	\$ 554,868
Federal percentage	87%	100%
<b>Amount included on Schedule of Expenditures of Federal Awards</b>	<u>\$ 486,855</u>	<u>\$ 554,868</u>

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of NIACOG under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NIACOG, it is not intended to and does not present the financial position, changes in financial position or cash flows of NIACOG.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** - NIACOG has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

*See Accompanying Independent Auditor's Report.*



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
North Iowa Area Council of Governments:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of NIACOG, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated December 22, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered NIACOG's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NIACOG's internal control. Accordingly, I do not express an opinion on the effectiveness of NIACOG's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of NIACOG's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-21 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in Part II of the accompanying Schedule of Findings that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NIACOG's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. No instances of non-compliance or other matters were noted.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### NIACOG's Response to the Finding

NIACOG's response to the finding identified in my audit is described in the accompanying Schedule of Findings. NIACOG's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of NIACOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script, reading "Larry Pump".

Charles City, Iowa  
December 22, 2021



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**  
**FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**  
**REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
North Iowa Area Council of Governments:

Report on Compliance for Each Major Federal Program

I have audited North Iowa Area Council of Government's (NIACOG's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on NIACOG's major federal programs for the year ended June 30, 2021. NIACOG's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for NIACOG's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NIACOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal programs. However, my audit does not provide a legal determination of NIACOG's compliance.

Opinion on the Major Federal Programs

In my opinion, NIACOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The management of NIACOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered NIACOG's internal control over compliance with the types of requirements that could have a

direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of NIACOG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. I identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings as item III-A-21, I consider to be a material weakness.

NIACOG's response to the internal control over compliance finding identified in my audit is reported in the accompanying Schedule of Findings. NIACOG's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is fluid and cursive, with a large, stylized "P" at the end.

Charles City, Iowa  
December 22, 2021

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS**  
**Schedule of Findings**  
**Year Ended June 30, 2021**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were: CFDA Number 20.513 - Enhanced Mobility of Seniors and Individuals with Disabilities, CFDA Number 20.509 - Formula Grants for Rural Areas, and CFDA Number 11.307 - Economic Adjustment Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) NIACOG did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-21      Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Agency's financial statements.

Condition - Generally, one individual has control over the following areas for the Agency:

- (1) Accounting system - record keeping for revenues, expenses and related reporting.
- (2) Receipts - collecting, depositing, journalizing and posting.
- (3) Payroll - changes to the master list, preparation and distribution.



NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
Schedule of Findings  
Year Ended June 30, 2021

**Part II: Findings Related to the Financial Statements:** - continued

Cause - The Agency has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The Agency should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff or Agency Board members to provide additional control through review of financial transactions, reconciliations and reports.

Response - Due to the limited number of office employees, segregation of duties is very difficult. The fiscal officer will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

CFDA Number 20.513: Enhanced Mobility of Seniors and Individuals with disabilities.  
Federal Award Year: 2021  
U.S. Department of Transportation  
Passed through the Iowa Department of Transportation

CFDA Number 20.509: Formula Grants for Rural Areas.  
Federal Award Year: 2021  
U.S. Department of Transportation  
Passed through the Iowa Department of Transportation

CFDA Number 11.307: Economic Adjustment Assistance CARES.  
Federal Award Year: 2021  
Economic Development Administration

III-A-21      Segregation of Duties over Federal Revenues and Expenses - The Agency  
(2021-001)      did not properly segregate custody, recordkeeping and reconciling functions  
for revenues and expenses, including those related to federal programs.  
See item II-A-21.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS  
Schedule of Findings  
Year Ended June 30, 2021

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-21      Questionable Expenses - No expenses I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25,1979 were noted.
- IV-B-21      Travel Expense - No expenses of NIACOG money for travel expenses of spouses of NIACOG officials or employees were noted.
- IV-C-21      Business Transactions - No business transactions between NIACOG and NIACOG officials or employees were noted.
- IV-D-21      Bond Coverage - Surety bond coverage of NIACOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-E-21      Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the NIACOG's investment policy were noted.
- IV-F-21      Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.
- IV-G-21      Restricted Donor Activity - No transactions were noted between the Agency, Agency officials, Agency employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.